

GRANT FRAUD



BARBARA HARRIMAN

OFFICE OF INVESTIGATIONS

OFFICE OF INSPECTOR GENERAL

OIG

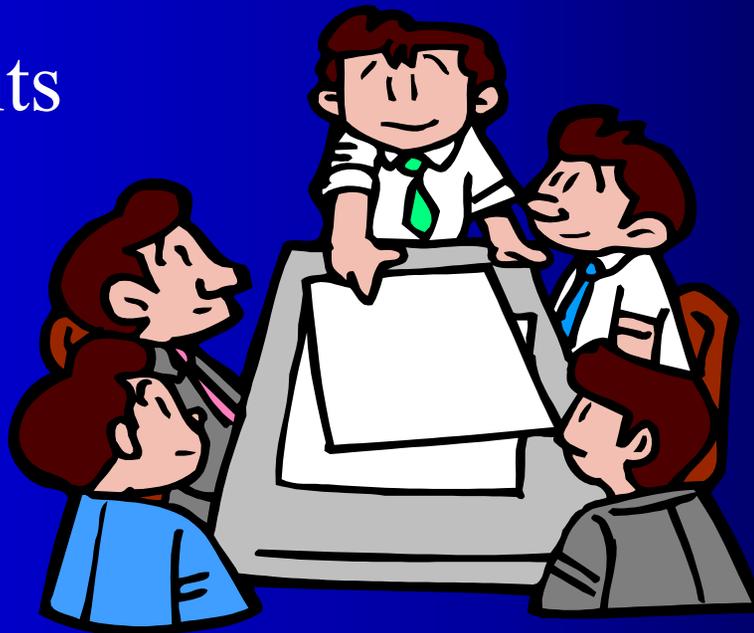
Investigations

Audits

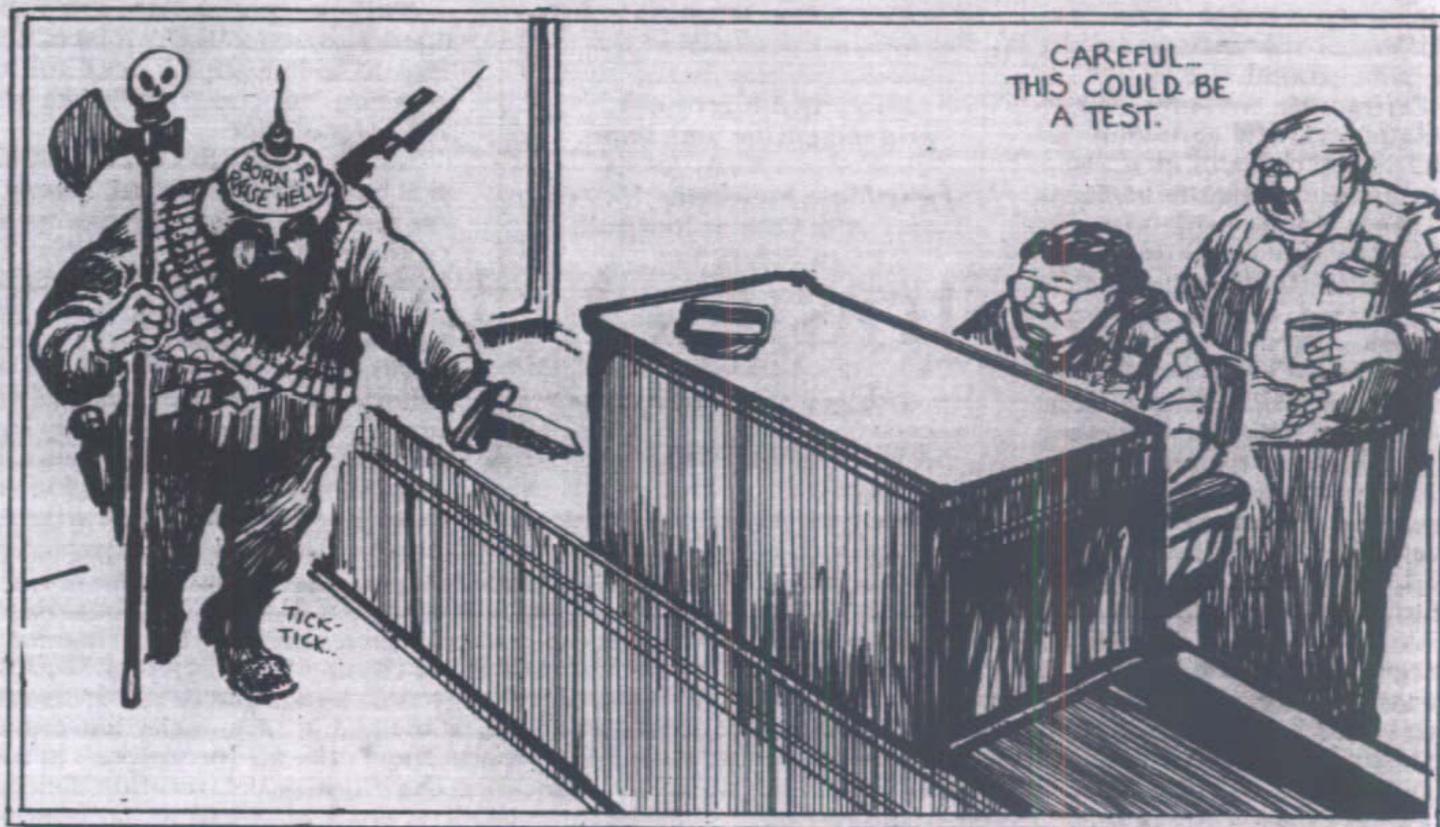
Evaluations

Information
Technology

Legal
Counsel



Sketch Pad



BY DANZIGER

FRAUD

Fraud is the intentional, unlawful acquisition of monetary benefit by perpetuating wrongful acts affecting government programs and operations, including contracts and grants.

POSSIBLE PROBLEM INDICATORS:

- ✓ **One person in control**
- ✓ **No separation of duties**
- ✓ **Persons living beyond means**
- ✓ **Missing or incomplete internal controls**
- ✓ **No prior audit**
- ✓ **Unusual behavior**
- ✓ **Recent money problems**
- ✓ **Lack of internal controls**
- ✓ **Lack of regulations / operating procedures**
- ✓ **Lack of oversight to enforce regulations**
- ✓ **Altered / suspect records**

Myths About Fraud

- ❖ Only certain types of people will commit fraud.
- ❖ Most fraud goes undetected.
- ❖ Fraud is usually well concealed.

How Do We Find Out About Fraud?

- ❖ Accident
- ❖ Co-workers
- ❖ Public
- ❖ Auditors
 - ❖ 20% of fraud is discovered by auditors!

Profile of Perpetrators of Fraud



- ❖ Older
- ❖ 60% Male, 40% Female
- ❖ Church Attendance
- ❖ Stable family
- ❖ Good Mental Health
- ❖ High Self-esteem



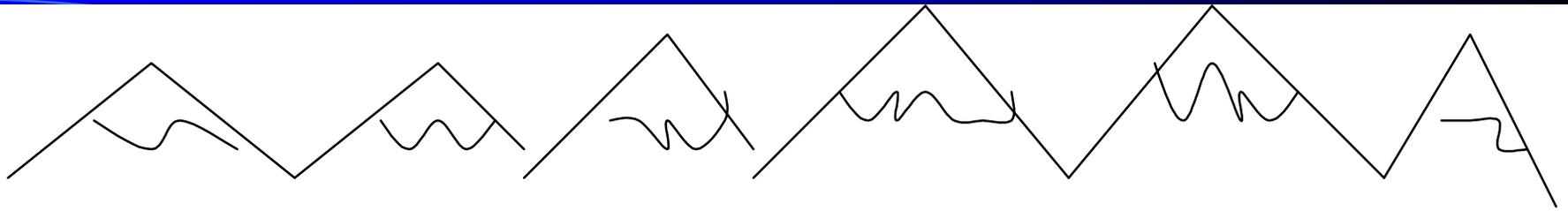
**CAREFULLY REVIEW
THE FOLLOWING
SLIDES...**



Mountain High Inc
200 Do-Rights Drive
Lucky, Wisconsin 21033

Good Life Senior Center
100 Good Luck Road
Lucky, Wisconsin 21033

<u>Date(s) of Service</u>	<u>Service</u>	<u>Charge</u>
11/01/00	Delivery charge	\$50.00
11/01/00	Medical equipment	\$1755.24
11/04/00	Furniture	\$1123.00
Patient: Gracie Lou Phillips DOB: 07/01/1912		
11/02 – 11/07/00	Adult Daycare	\$300.00
11/02 – 11/07/00	Transportation	\$120.00
11/03/00	Speech Therapy – 60mins	\$55.00



Mountain High Inc
200 Do-Rights Drive
Lucky, Wisconsin 21033

INVOICE#3247

Mr. Richard Greenleaf, Owner
218 Gold Way – Penthouse #36
Lucky, Wisconsin 21036

<u>Date(s) of Service</u>	<u>Service</u>	<u>Charge</u>
11/15/2000	Service Labor	\$450.00
11/20/2000	Furniture	\$1800.00
11/22/2000	Service Materials	\$2555.00

GOOD INVOICE / BAD INVOICE



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OTHER POSSIBLE FRAUD SCHEMES

- ❖ Inflating enrollment and attendance records
- ❖ Theft of Time and Materials
- ❖ Fees for non-existent consulting services
- ❖ Issuing of checks payable to friends or relatives
- ❖ Submitting invoices to be paid for personal expenses

SCHEMES (cont'd)

- ❖ Diverting funds to bogus companies
 - ❖ Store fronts, shell companies
- ❖ Submitting false claims in travel vouchers/cost reports
- ❖ Using credit cards for personal use
- ❖ Kickbacks

SCHEMES (cont'd)

- ❖ Creating Fictitious Records
- ❖ Forgery
- ❖ Double Billing
- ❖ Diverting Funds

CASE #1

BACKGROUND...

- ❖ Chief Financial Officer for Head Start Grantee
- ❖ Received \$13 million a year
- ❖ Co-defendant
 - ❖ Operated shell realty company

ALLEGATIONS

- ❖ CFO funneled \$1.1 million from Head Start facility renovation projects --- to self
- ❖ Pay personal bills
- ❖ Entertained mistress
- ❖ Paid for relatives college tuitions

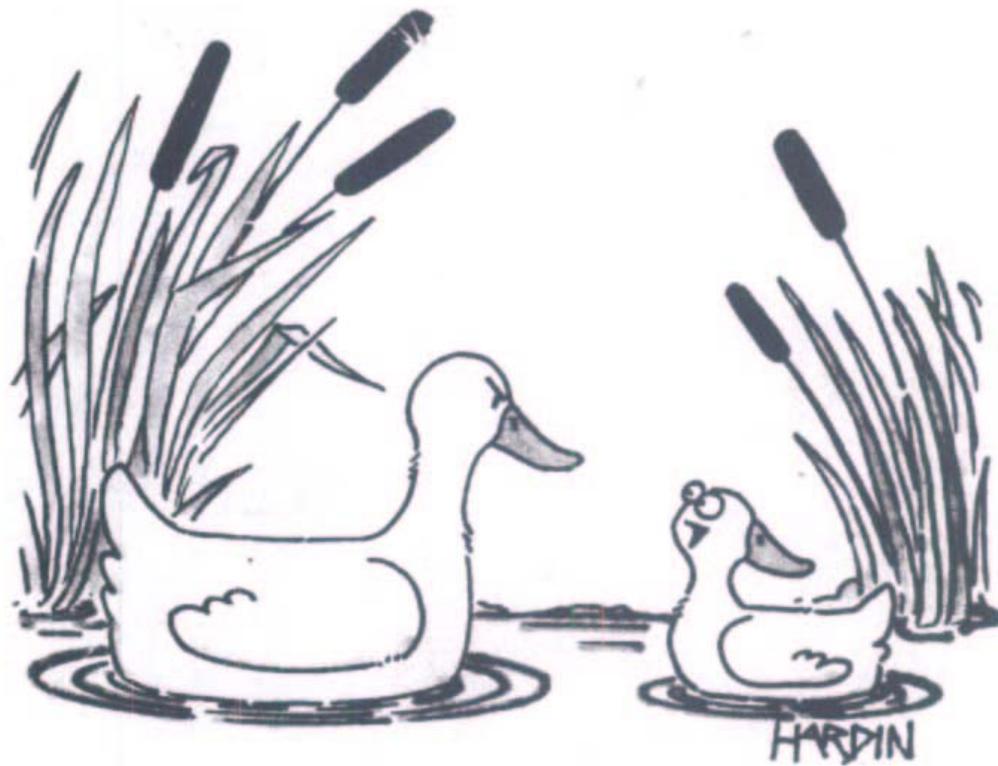
HOW

- ❖ Circumventing internal controls
- ❖ Sole check writer and only person to reconcile bank account

RESULT

- ❖ 51 months confinement
- ❖ 3 years supervised release
- ❖ Restitution





"BUT MOM, ALL THE KIDS ARE WEARING THE BILL IN BACK."

CASE #2

BACKGROUND

- ❖ Chief of Family Services
- ❖ Diverted \$ from program designed to benefit :
 - ❖ Foster care children
 - ❖ Adopted children



ALLEGATIONS

- ❖ \$35,000 for travel to Israel
- ❖ \$18,000 in consulting services provided by herself
- ❖ \$2,700 in catering expenses
- ❖ \$15,000 in building renovations in Israel

CHARGES

- ❖ False claims
- ❖ Conspiracy
- ❖ Obstruction of Justice
 - ❖ Impeding a federal investigation
 - ❖ Attempt to conceal facts that she paid herself federal funds

RESULT

- ❖ 6 months of home confinement
- ❖ 100 hours of community service
- ❖ 2 years probation
- ❖ \$250,000 criminal fine
- ❖ \$274,000 in restitution
- ❖ Debarment...

DEBARMENT

- ❖ Preclude dishonest and incompetent parties from receiving Federal funds for a specific period, usually three years.

DEBARMENT

SOME REASONS FOR DEBARMENT:

- ❖ Commission of fraud or criminal offense in obtaining, attempting to obtain, or performing a public contract or subcontract.
- ❖ Commission of embezzlement, theft, forgery, or bribery; falsifying or destroying records; making false statements; or receiving stolen property.

DEBARMENT (cont'd)

- ❖ Knowingly doing business with a suspended or debarred, ineligible, or voluntarily excluded party.
- ❖ Commission of any other offense indicating lack of business integrity that seriously affects the integrity of an agency program.

“If it walks like a duck
and sounds like a
duck...”

(or grant fraud!)



Grant Coordinator – Doris McGuire
(202) 401-2823

HHS-OIG HOTLINE

1-800-HHS-TIPS (1-800-447-8477)

or

HHSTips@oig.hhs.gov

GSA Website : <http://www.arnet.gov.epls>

QUESTIONS?

